

UMSHWATHI MUNICIPALITY

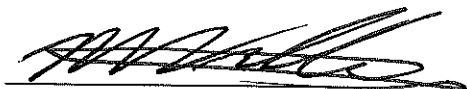
ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2012

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M.V. Cebekhulu
MUNICIPAL MANAGER

30 August 2012
Date

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GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. N.M.N. Msomi

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

CATEGORY OF LOCAL AUTHORITY

CATEGORY TWO (2)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

CHIEF FINANCIAL OFFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. N.M.N. Msomi
PR	:	Cllr. S.J. Luthuli
PR	:	Cllr. R. Mungroo
PR	:	Cllr. N.R. Khanyile
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. M.M. de Vries
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. Z.A. Thusi
PR	:	Cllr. N.H. Hlophe
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. N.L. Shabangu
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. S.S. Mbhele
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. S.R.G. Gumede
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. B.M. Gwala
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. M.J. Mkhize
W11	:	Cllr. A.T. Thusi
W12	:	Cllr. S.A. Duma
W13	:	Cllr. M. Goba
MAYOR	:	Councillor B.M. Gwala
DEPUTY MAYOR	:	Councillor S.S. Zondi

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 17 to 39 were approved by the Municipal Manager on 30 August 2012 and presented to and approved by Council on 30 August 2012.



MUNICIPAL MANAGER
(Accounting Officer)
30 August 2012

CHIEF FINANCIAL OFFICER

30 August 2012

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2011/2012	2010/2011
1.1 Rate and General Services		
Expenditure		
Ordinary	64,752,784	62,654,334
Capital	<u>0</u>	<u>0</u>
	<u>64,752,784</u>	<u>62,654,334</u>
Income		
Assessment Rates	9,352,617	11,587,873
Other	<u>83,334,645</u>	<u>65,683,665</u>
	<u>92,687,262</u>	<u>77,271,538</u>
Accumulated Surplus		
Surplus/(Deficit) for year	27,934,478	14,617,204
Surplus brought forward	78,105,915	60,393,000
Prior Year Adjustment		16,413
Reduction in Bad Debt Provision		3,079,298
	<u>106,040,393</u>	<u>78,105,915</u>

2 CAPITAL EXPENDITURE AND FINANCING

	2011/2012	2010/2011
Expenditure		
Rate and General Services	16,446,261	13,178,865
	<u>16,446,261</u>	<u>13,178,865</u>
Financing		
Grants and Subsidies	16,446,261	10,848,394
Revenue Contributions to Capital Outlay	0	2,330,471
	<u>16,446,261</u>	<u>13,178,865</u>

3 REVENUE

Rates form 10.00% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received from National Government forms the bulk of the municipalities income amounting to R 49 180 000.00.

Interest received on investments and the current amounts is R 571 138 and Interest on arrear accounts amounted to R 7 455 037.

4 EXPENDITURE

Employee costs amounts to R26.52 million and forms 41% of total expenditure of the municipality, while repairs and maintenance amounted to R2 279 263 and forms 4% of total expenditure.

Certain votes have been overspent and were as a result of unforeseen expenditure and certain elements of inadequate budget provision.



Accounting Officer

Date 30 August 2012

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality. GRAP statement 18 is currently not being applied since no effective date has yet been determined.

GRAP statements 21, 23, 24, 26, 103 and 104 have been issued and the Minister of Finance has determined that these statements will be effective on annual financial statements being prepared for financial years beginning on 1 April 2012 and thereafter.

The Minister of Finance has still not determines effective dates for the GRAP statements 25, 105, 106 and 107. The statements that affect the municipality will be applied once the effective dates are determined and the impact of the application of the statements is not known and cannot be reasonably estimated.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Revaluation Reserve

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets

Is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
Community		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revaluation reserve.

Depreciation on assets under construction during the year only provided for from the following year.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

The fair value of financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

7.1 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

7.2 TRADE CREDITORS

Trade creditors are stated at their nominal value.

7.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

8. INVENTORIES

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

09. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

10. REVENUE RECOGNITION

10.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

11. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

12. PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

13 LEASES

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

14. IMPAIRMENT OF ASSETS

14.1 Cash Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
-

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

Non-Cash-Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approaches:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

15. EMPLOYEE BENEFITS

15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus; incentive and performance related payments when the entity has a present legal or constructive obligation to make such

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

15.2 Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

20. RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
Non - current assets		97,134,660	87,514,515
Property , plant and equipment	6	97,134,660	87,434,054
Intangible Assets	7	0	80,461
Long term receivables	8	0	0
Current assets		44,263,494	37,498,301
Consumer debtors	9	32,380,162	29,902,973
Other debtors	10	2,326,754	2,299,917
Current portion of long term debtors	8	0	0
Value added tax	5	341,033	1,299,225
Call investment deposits	11	8,623,989	3,672,541
Bank balances and cash	12/22	591,556	323,645
Total Assets		141,398,154	125,012,816
Non - current liabilities		20,640,891	25,363,797
Long term liabilities	2	20,153,807	25,139,486
Finance Lease Obligation	2	487,084	224,311
Current liabilities		7,204,646	13,545,899
Creditors	3	4,239,018	7,297,412
Finance Lease Obligation	2	121,771	70,711
Unspent conditional grants and receipts	4	118,143	3,926,207
Bank overdraft		0	0
Current portion of long term liabilities	2	2,725,713	2,251,569
Total Liabilities		27,845,537	38,909,696
Net Assets		113,552,617	86,103,120
NET ASSETS			
Net assets		113,552,617	86,103,120
Housing Development Fund	1	2,879,277	2,899,376
Revaluation Reserve		4,614,902	4,614,902
Accumulated surplus		106,058,438	78,588,842
		113,552,617	86,103,120

**UMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012**

BUDGET			ACTUAL		
2011	2012	REVENUE	Note	2012	2011
9,691,423	11,780,000	Property rates	13	9,352,617	11,587,873
800,000	890,000	Property rates - penalties imposed and collection charges		873,068	856,182
1,400,000	1,450,000	Service charges	14	1,480,958	1,398,935
150,000	140,000	Rental of facilities and equipment		152,434	155,417
100,000	300,000	Interest earned - external investments		571,138	381,768
3,750,000	6,500,000	Interest earned - outstanding debtors		7,455,037	4,982,578
300,000	101,000	Fines		41,280	121,255
1,700,000	1,825,000	Income for agency services		1,876,463	1,968,411
44,134,000	51,470,000	Government grants and subsidies	15	51,830,073	44,744,348
156,000.00	192,500.00	Other income	16	263,417	230,593
		Capital Funding	15	18,563,285	10,844,178
		Sale of Assets		227,492	
62,181,423	74,648,500	Total Revenue		92,687,262	77,271,538
EXPENDITURE					
26,386,799	29,615,514	Employee related costs	17	26,516,768	24,983,099
4,795,624	5,897,486	Remuneration of Councillors	18	6,249,538	4,341,717
		Bad debts			
150,000	100,000	Collection costs		61,600	0
		Amortisation of Intangible Assets		80,461	80,461
2,100,000	6,500,000	Depreciation		6,540,321	7,806,748
6,829,500	6,684,000	Repairs and maintenance		2,279,263	3,719,569
2,500,000	2,500,000	Interest paid	19	2,704,115	2,386,954
100,000	150,000	Contracted services		32,674	439,009
18,219,500	21,051,500	General expenses	24.7	19,360,128	18,058,157
100,000	150,000	Contribution to Reserves		927,916	838,620
1,000,000	2,000,000	Contribution to Capital		0	0
62,181,423	74,648,500	Total Expenditure		64,752,784	62,654,334
0	-	Surplus/(Deficit) for the year		27,934,478	14,617,204

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus	Total
	R	R	R	R
Balance at 30 June 2011	2,899,376	4,619,502	78,105,915	85,624,793
Adjust financials to agree to main ledger			-	-
	2,899,376	4,619,502	78,105,915	85,624,793
Implementation of GRAP	-	-	-	-
	2,899,376	4,619,502	78,105,915	85,624,793
Surplus (deficit) for the year	(20,099)	-	27,934,478	27,914,379
Prior Year Adjustment	-	(4,600)	18,046	13,446
	2,879,277	4,614,902	106,058,438	113,552,617

UMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sales of Goods and Services		11,706,643	13,842,990
Grants		51,830,073	44,744,348
Interest Received		571,138	381,768
Other Receipts		28,525,837	18,754,706
		92,633,691	77,723,812
Payments			
Employee Costs		32,766,306	29,324,816
Suppliers		18,541,372	19,407,751
Interest Paid		2,704,115	2,386,954
Other Payments		3,639,600	2,866,212
		57,651,393	53,985,733
NET CASH FROM OPERATING ACTIVITIES		34,982,298	23,738,079
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,510,110)	(13,178,865)
Purchase of housing infrastructure		-	-
Proceeds on disposal of property, plant and equipment		-	-
(Increase) decrease in investment properties		-	-
(Increase) decrease in non - current receivables		-	446,388
(Increase) decrease in working capital		(8,741,294)	(10,264,149)
(Increase) decrease in call investments		(4,951,448)	(495,164)
NET CASH FROM INVESTING ACTIVITIES		(30,202,852)	(23,491,790)
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)/Other Capital Receipts		(4,511,535)	(645,096)
Increase (decrease) in consumer deposits		-	-
Increase (decrease) in short term loans		-	-
NET CASH FROM FINANCING ACTIVITIES		(4,511,535)	(645,096)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		267,911	(398,807)
Cash and cash equivalents at the beginning of the year		323,645	722,452
Cash and cash equivalents at the end of the year		591,556	323,645
		267,911	(398,806)

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,879,277	2,899,376
	<u>2,879,277</u>	<u>2,899,376</u>
The Housing Development Fund is represented by the following assets and liabilities		
Housing selling scheme loans (see note 13)	0	0
Housing rental and instalment debtors (see note 15)	1,799,083	1,307,631
Debtors - Department of Housing	165,332	165,332
Bank and cash	914,862	1,426,413
Sub - total	2,879,277	2,899,376
Creditors		
Total Housing Development Fund Assets and Liabilities	<u>2,879,277</u>	<u>2,899,376</u>
2 LONG TERM LIABILITIES		
Capitalised lease liability		
External loans	22,879,520	27,391,055
	<u>22,879,520</u>	<u>27,391,055</u>
Less current portion transferred to current liabilities	-2,725,713	-2,251,569
	<u>20,153,807</u>	<u>25,139,486</u>
Finance Lease Obligation		
Minimum Lease Payment Due		
- within 1 year	155,959	95,302
- within 2nd and 5th year inclusive	623,838	256,949
	<u>779,797</u>	<u>352,250</u>
Less future finance costs	(170,942)	(57,228)
	<u>608,855</u>	<u>295,022</u>
Present Value of minimum lease payments		
- within 1 year	121,771	70,711
- within 2nd and 5th year inclusive	487,084	224,311
	<u>608,855</u>	<u>295,022</u>
The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance. The leased assets is included in Property Plant and equipment in Note 6		
Net Long Term Liabilities		
External Loans	20,153,807	25,139,486
Finance Lease Obligation	487,084	224,311
	<u>20,640,891</u>	<u>25,363,796</u>
3 CREDITORS		
Trade creditors	1,241,282	199,066
Accrued interest - external loan	0	1,044,683
Staff leave	1,371,005	1,142,692
VAT provision	92,508	93,481
Payments in advance	165,504	68,154
Sundry loans	0	104,117
Retention payable	103,898	103,898
National Lottery	1,183,700	3,120,210
Deposits other	3,304	3,304
Other creditors	77,818	1,417,807
	<u>4,239,018</u>	<u>7,297,412</u>
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional grants from other spheres of government	118,143	3,926,208
Total conditional grants and receipts	<u>118,143</u>	<u>3,926,208</u>
MIG	0	0
District: Tourism		
General Grant	58,025	58,025
MAP	0	0
Housing Plan	60,118	66,901
DPLG	0	0
DoE	0	3,392,285
FMG	0	342,186
MSIG	0	66,811
	<u>118,143</u>	<u>3,926,208</u>
5 VAT	341,033	1,299,225
VAT refundable	<u>341,033</u>	<u>1,299,225</u>
VAT is payable on the receipts basis		

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6 PROPERTY, PLANT AND EQUIPMENT

2012 **2011**

30-Jun-2011

Reconciliation of carrying value	Land and Buildings	Infra-structure	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2011						
Cost	44,994,272	62,718,807	3,171,896	3,296,223	639,446	114,820,644
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(4,654,658)	(24,100,907)	(1,941,878)	(2,552,515)	-517,436	(33,767,394)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	44,661,865	41,102,762	803,709	743,708	122,010	87,434,054
Acquisitions	1,404,096	6,698,173	171,521	641,162	192,346	9,107,298
Capital under construction	7,402,811					7,402,811
Disposal: Cost						-
Disposal: Depreciation						-
Depreciation						
- based on cost	(1,606,526)	(4,317,197)	(152,202)	(344,109)	(143,337)	(6,563,371)
- based on revaluation						
Carrying value of disposals						
Cost/revaluation				(1,742,668)		(1,742,668)
Accumulated depreciation				1,496,536		1,496,536
Carrying value at 30 JUNE 2012						
Cost	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,834,229)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Reconciliation of carrying value	Land and Buildings	Infra-structure	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2010						
Cost	43,021,516	53,667,382	2,599,832	3,296,223	639,446	103,224,399
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(3,609,938)	(18,225,324)	(1,668,737)	(2,025,119)	-431,528	(25,960,646)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	43,733,829	37,926,920	504,786	1,271,104	207,918	83,644,557
Acquisitions	837,173	6,798,332	572,064	-	-	8,207,569
Capital under construction	1,135,583	3,835,714				4,971,297
Revaluation: Cost						-
Revaluation: Depreciation		(1,582,621)				(1,582,621)
Depreciation						
- based on cost	(1,044,720)	(5,875,583)	(273,141)	(527,396)	-85,908	(7,806,748)
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						-
Accumulated depreciation						-
Carrying value at 30 JUNE 2011						
Cost	44,994,272	62,718,807	3,171,896	3,296,223	639,446	114,820,644
Revaluation	5,563,446	600,029	(665,622)	-	-	5,497,853
Accumulated depreciation						
- Cost	(4,654,658)	(24,100,907)	(1,941,878)	(2,552,515)	(517,436)	(33,767,394)
- Revaluation	(1,241,195)	1,884,833	239,313	-	-	882,951
	44,661,865	41,102,762	803,709	743,708	122,010	87,434,054

Refer to Appendix B for more detail on property, plant and equipment

Assets Under Construction:

Electrification	-	3,835,715
Estezi Community Hall	-	126,811
Sports Centre	-	1,008,772
Office Extension	94,664	-
Thusong Centre	5,015,328	-
Staff Facilities	1,772,111	-
Thokozane Creche	520,708	-
	<u>7,402,811</u>	<u>4,971,298</u>

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
7 INTANGIBLE ASSETS		
Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	-321,844	-241,383
Carrying Amount	<u>0</u>	<u>80,461</u>
The software and network is being amortised over 5 years being its useful life		
8 LONG TERM RECEIVABLES		
Housing loans	0	0
Less: Short term portion transferred to Sundry Debtors	<u>0</u>	<u>0</u>
	<u>0</u>	<u>-</u>
9 CONSUMER DEBTORS		
Balances at 30 June 2012		
	Gross balance	Provision for doubtful debts
Service debtors	2,004,032	-1,300,418
Rates	20,774,422	0
Housing	616,546	
Other	22,008,147	-11,722,567
Total	<u>45,403,147</u>	<u>-13,022,985</u>
		Net balance
		703,614
		20,774,422
		616,546
		10,285,580
		<u>32,380,162</u>
Balances at 30 June 2011		
Service debtors	1,608,837	-1,300,418
Rates	21,374,407	0
Housing	642,028	
Other	19,300,686	-11,722,567
Total	<u>42,925,958</u>	<u>-13,022,985</u>
		308,419
		21,374,407
		642,028
		7,578,119
		<u>55,948,943</u>
Rates: Ageing		
Current (0 - 30 days)	1,502,979	1,468,206
31 - 60 days	883,198	933,237
61 to 90 days	795,631	844,393
91 - 120 days	741,615	814,865
121 days and over	16,850,999	17,313,706
Total	<u>20,774,422</u>	<u>21,374,407</u>

uMSHATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
Refuse and other : Ageing		
Current (0 - 30 days)	756,234	682,974
31 - 60 days	716,443	694,635
61 to 90 days	694,345	669,708
91 - 120 days	676,564	639,338
121 days and over	21,785,138	18,864,896
Total	<u>24,628,724</u>	<u>21,551,551</u>
	<u>45,403,146</u>	<u>42,925,958</u>

The carrying value of debtors is assumed to approximate its fair value since interest is charged on accounts once gone into arrears. An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. The current provision is considered is considered adequate since the bulk of the debtors are rates debtors and Government Departments. Debtors have not been discounted since interest is charged on arrear balances on a monthly basis.

Impairment loss on debtors is recognised in the Statement Of Financial Performance when there is objective evidence that it is impaired. The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

10 OTHER DEBTORS

District Municipality	220,203	220,204
Thokazane housing	1,438,745	1,438,745
Other	0	0
Department of Housing	165,331	165,332
Accrued Interest	49,760	31,292
Other	452,715	444,345
Total other debtors	<u>2,326,754</u>	<u>2,299,917</u>
less: Provision for doubtful debts	-	-
	<u>2,326,754</u>	<u>2,299,917</u>

11 CALL INVESTMENT DEPOSITS

Other deposits	8,623,989	3,672,541
	<u>8,623,989</u>	<u>3,672,541</u>

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

Standard	0536 -1443-4-14	12,498	11,853
Nedbank			
Investment 1	1461827	14,017	13,433
Investment 2	0635053	15,259	14,623
Investment 3	1679521	78,217	74,959
FNB			
Investment 1	62101572081	1,586,324	58,361
Investment 2	62101572172	10,962	10,852
Call Account	62101571710	3,783,291	500,987
Call Account: Housing		60,118	66,901
ABSA *			
Investment 1	20- 66260264	3,063,302	2,920,671
		<u>8,623,989</u>	<u>3,672,541</u>

* The ABSA Investment is ceded to DBSA as security for the loan taken from the DBSA. (Refer to Appendix "A").

12 BANK,CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	321,300	720,106
Cash book balance at end of year	589,210	321,300
Bank statement balance at beginning of year	307,931	717,820
Bank statement balance at end of year	485,147	307,931

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
13 PROPERTY RATES		
Actual		
Agricultural	3,590,663	3,590,663
Residential	2,861,290	2,861,290
Commercial	1,318,142	1,318,142
Public service infrastructure	3,153,592	3,153,592
State	664,186	664,186
Other		
Total assessment rates	<u>11,587,873</u>	<u>11,587,873</u>
Valuations		
Agricultural	1,815,124,000	1,815,124,000
Residential	264,634,000	264,634,000
Commercial	161,170,000	161,170,000
Public service infrastructure	425,861,000	425,861,000
State	44,007,000	44,007,000
Other	13,353,000	13,353,000
Total property valuations	<u>2,724,149,000</u>	<u>2,724,149,000</u>
The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successful objections.		
14 SERVICE CHARGES		
Refuse removal	1,480,958	1,398,935
	<u>1,480,958</u>	<u>1,398,935</u>
15 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	49,180,000	41,165,122
Clinic subsidy	210,076	1,479,596
Conditional grants utilised	<u>21,269,065</u>	<u>12,943,808</u>
	<u>70,659,141</u>	<u>55,588,526</u>
Refer Appendix F		
16 OTHER INCOME	<u>263,417</u>	<u>230,592</u>
Fees: Photocopies	12,358	11,938
Fees: Rates Clearance	11,652	4,389
Library Fines	691	1,705
Interest: Current Account	12,583	27,381
Fees	20,793	13,213
Community Hall	31,656	16,765
Maintenance	116,864	126,422
Cemetery	5,522	9,868
Postal Service	51,298	18,911
Sundry		
	<u>263,417</u>	<u>230,592</u>

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
17 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	19,467,944	18,393,435
Employee related costs - contributions to UIF, pension and medical costs	3,684,296	3,537,817
Travel, vehicle, accommodation, subsistence and other allowances	1,106,182	1,088,972
Housing benefits and allowances	95,764	210,395
Overtime payments	569,848	409,607
Bonus	1,028,025	942,122
Skills Levy/Protective Clothing/Bargaining Council	564,709	400,751
Sub-total	26,516,768	24,983,099
Less: Employee costs allocated to Property, Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	26,516,768	24,983,099
There were no loans to employees.		
Remuneration of the Municipal Manager		
Annual remuneration	625,806	583,761
Bonus		
Car allowance	127,200	127,200
Contributions to Medical and Pension Funds and UIF	112,833	105,252
	865,839	816,213
Remuneration of the Chief Financial Officer		
Annual remuneration	506,503	471,057
Bonus	15,000	15,000
Car allowance	96,000	96,000
Contributions to Medical and Pension Funds	943	943
	618,446	583,000
Remuneration of other managers		
30-Jun-2011		
	Corporate Services	Technical Services
Annual remuneration	459,612	351,214
Bonus		
Car allowance	65,088	86,647
		13,250
Contributions to Medical and Pension Funds	-	86,839
	524,700	524,700
30-Jun-2012		
Annual remuneration	491,514	378,243
Bonus		
Car allowance	65,088	86,647
		13,250
Contributions to Medical and Pension Funds		91,712
	556,602	556,602
18 REMUNERATION OF COUNCILLORS		
Mayor	630,734	572,109
Deputy Mayor	362,329	254,873
Speaker	362,329	254,873
Executive committee members	1,021,671	499,189
Councillors	3,872,475	2,760,673
	6,249,538	4,341,717

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
19 INTEREST PAID		
External loans	2,704,115	2,386,954
Operating Lease Payments	0	321,732
Finance leases	0	57,228
	<u>2,704,115</u>	<u>2,765,914</u>

Operating Leases - Rental: Copiers

The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.

Operating Lease Commitments:

- within 1 year	274,857	249,870
- within 2nd and 5th year inclusive	523,142	475,584

20 PRIOR PERIOD ERRORS

Overprovision of expenditure:

S&T: 8 407.00; Stationery: 6 828.00; R&M: 1 178.00

Adjustment to Depreciation	0	16,413
	13,446	

Restatement of Accumulated Surplus and Revaluation Reserve due to error in calculation

Revaluation Reserve

Original Amount	4,619,502
Restated Amount	4,614,902

Accumulated Surplus

Original Amount	78,584,242
Restated Amount	78,588,842

21 CASH GENERATED BY OPERATIONS

Surplus (deficit) for the year	27,934,478	14,617,204
Deficit - Housing operating account		
Adjustment for :		
Prior year		
Depreciation		
Reversal of Water Debtors	6,540,321	7,806,748
Contributions to provisions- non-current	0	0
Contributions to provisions - current		
Contributions to bad debt provision		
Investment income	-571,138	-381,768
Interest paid	2,704,115	2,386,954
Operating deficit before working capital changes	36,607,776	24,429,138
(increase) decrease in consumer debtors	-2,477,190	-8,993,132
(increase) decrease in other debtors	-26,836	-25,344
(increase) decrease in VAT debtor	958,192	-1,089,956
Increase (decrease) in conditional grants and receipts	3,808,065	-648,192
Increase (decrease) in creditors	-3,058,394	492,474
(increase) decrease in current portion of long term debtors	0	111,597
	<u>35,811,614</u>	<u>14,276,585</u>

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

Bank balances and cash	2,346	2,346
Cash on Hand	589,210	321,300
	<u>591,556</u>	<u>323,645</u>

23 RELATED PARTY TRANSACTIONS

23.1 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover. 359,775

23.2 Mr. M. Potgieter, an audit committee member, is a partner in the firm of attorneys being used by the municipality. The legal fees paid the the firm, PKC Attorneys for the year was R 76 719

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		2012	2011
24 24.1 Contributions to organised local government			
Opening balance			
Council contributions		0	-
Amount paid - current year		0	-
Amount paid - previous years			
Balance unpaid (included in creditors)		0	-
24.2 Audit fees			
Amount paid current year		630,552	829,218
24.3 VAT			
Opening balance		1,317,911	227,554
Current year output VAT		-625,108	-529,513
Current year input VAT		3,999,991	3,627,571
Amount paid - current year			
Amount refunded by SARS - current		-4,333,435	-2,007,701
Amount due by SARS - included in debtors		<u>359,359</u>	<u>1,317,911</u>
All VAT returns have been submitted by the due date.			
24.4 PAYE and UIF			
Current year payroll deductions and Council UIF contributions		4,053,458	3,770,347
Amount paid - current year		4,053,458	3,770,347
24.5 Pension and medical aid deductions			
Current year payroll deductions and Council contributions		4,065,830	4,252,064
Amount paid - current year		4,065,830	4,252,064
24.6 Councillors arrear consumer accounts			
No Councillors had arrear accounts outstanding for more than 90 days as at :			
30 June 2011	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	-	-
30 June 2012	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	-	-

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
24.7 General Expenses: Detail		
Advertisements	318,201	201,723
Arts and Culture	14,700	82,475
Audit Fee: External	630,552	829,218
Bank Charges	73,443	75,280
Bursaries	0	9,357
Chemicals and Oil Dispersants	10,322	11,166
Communication: Budget Process	225,435	440,450
Conferences & Seminars	569,771	438,711
Crime Prevention	57,393	4,447
EAP	21,699	0
Entertainment	2,000	
FBS & FBE	765,753	750,360
HIV/AIDS	125,961	46,198
Hospitality/Mayor's Outreach Program	28,170	143,287
Housing Plan	91,700	0
IDP Review	272,392	551,584
Information Technology	1,464,537	821,305
Insurance	402,568	253,704
Internal Audit	282,341	243,528
Law Enforcement	56,778	123,527
LED Projects	1,482,876	1,858,705
Legal Expenses/Bylaws	232,836	292,595
Machinery Costs	0	284
Materials	209,516	138,457
Medical Supplies	100,201	53,526
Office Equipment	0	4,415
Pauper Burials	71,453	93,672
Plant Hire	107,600	43,450
Postage & Stamps	139,882	66,202
Pound	30,000	0
Printing and Stationery	264,526	331,704
Purchases: Electricity	920,100	723,552
Refreshments	193,548	205,996
Refuse Removal	1,265,097	876,604
Rental: Copiers	587,073	321,732
Road Signs	7,140	33,183
Security	1,283,328	1,115,279
Small Scale Disasters	31,547	75,945
Social Empowerment	98,985	156,266
Special Projects	515,729	505,669
Sports Promotion	935,980	389,380
Subscriptions	176,082	165,547
Subsistence and Travelling	872,123	749,527
Sundries	26,463	17,547
Telephones	1,241,093	1,079,682
Tools	16,258	25,067
Towing of Vehicles	350	2,355
Town Planning	98,145	69,862
Training	562,616	765,963
Transport/Vehicle Cost	1,716,074	1,437,275
Valuation Fees	31,639	1,208,801
Ward Committees	463,129	71,791
Water Quality Monitoring	5,000	3,033
Workmans Compensation	616	50,190
Youth Desk	259,408	155,810
	19,360,128	18,115,385

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

25 CAPITAL COMMITMENTS	2012	2011
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	16,250,000	8,500,000
Community	2,300,000	
- approved but not yet contracted for		
Infrastructure	11,610,000	23,335,000
Land and buildings	0	1,150,000
Community	0	500,000
	<hr/> 30,160,000	<hr/> 33,485,000
This expenditure will be financed from		
- capital replacement reserve	2,001,000	0
- government grants	18,404,000	33,485,000
Revenue	9,755,000	0
	<hr/> 30,160,000	<hr/> 33,485,000

26 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors' Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

Current Year's Contribution	4,065,830	4,252,064
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26.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 26.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 26.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
- 26.1.3. the fund was thus 104,3% funded
- 26.1.4. the fund did not hold an investment reserve.
- 26.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 26.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

26.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 26.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- 26.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 26.2.3. the fund was thus 87,7% funded
- 26.2.4. the fund did not hold an investment reserve
- 26.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011	
27 CONTINGENT LIABILITIES			
The following cases are still pending involving the municipality:			
Promac Consulting			
This amount is for consulting fees for a project which was never initiated and the municipality is of the opinion that it is not liable for this cost.	0	609,878	
Siyabonga Protection			
This is for an objection raised by Siyabonga Protection on the award of a security tender.	60,000	60,000	
CSM Consulting			
This matter is for a claim for work done on a housing project. Any amount paid by the municipality is claimed back from the Department of Human Settlement.	0	100,000	
28 IRREGULAR EXPENDITURE	0	-	
Three quotations were not obtained for the following expenditure:			
Repairing of Stormwater	Grapeseed Trading	Req 12313	38,152
Burglar Guards	Singabenkosi Construction	Req 11482	29,998
Strategic Planning Facilitation	Mvelo Consultants	Req 11812	51,300
Assistance in finalising Vietnam arrangements	BNM Technology	Req 12462	99,350
Preparation for Mass Funeral: Hire of TLB	L.T. Earthmovers	Req 13617	16,758
Preparation for Mass Funeral: Painting of Thokozane Hall	Tom Master Skills	Req 12282	40,858
Preparation for Mass Funeral: Base Crush Run	Coco Haven	Req 13630	27,900
Preparation for Mass Funeral: Electrical Wiring - Hall	Magalela Electrical	Req 13632	28,348
Year end Lunch	Albert Falls Game Reserve	Req 13798	13,500
Décor and Sound - Year end Lunch	In-well Products	Req 14533	10,000
			356,164

29 RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk) credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Interest rate risk

As the municipality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

Note 30

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
Revenue								
Property Rates	12,350,000.00	-570,000.00	11,780,000.00	9,352,617.00		-2,427,383.00	79.39%	75.73%
Service Charges	1,400,000.00	50,000.00	1,450,000.00	1,480,958.00		30,958.00	102.14%	105.78%
Investment Revenue	0.00	300,000.00	300,000.00	571,138.00		271,138.00	190.38%	0.00%
Grants: Operational	49,180,000.00	0.00	49,180,000.00	51,830,073.00		2,650,073.00	105.39%	105.39%
Other Revenue	9,484,500.00	2,454,000.00	11,938,500.00	29,398,905.00		17,460,405.00	246.25%	309.97%
	72,414,500.00	2,234,000.00	74,648,500.00	92,633,691.00	0.00	17,985,191.00	7.24	5.97
Expenditure								
Employee Costs	29,015,514.00	600,000.00	29,615,514.00	26,516,768.00		-3,098,746.00	89.54%	91.39%
Councillor Allowances	5,797,486.00	100,000.00	5,897,486.00	6,249,538.00		352,052.00	105.97%	107.80%
Depreciation	6,500,000.00	0.00	6,500,000.00	6,563,371.00		63,371.00	100.97%	100.97%
Interest Paid	2,500,000.00	0.00	2,500,000.00	2,704,115.00		204,115.00	108.16%	108.16%
Repairs and Maintenance	6,739,000.00	-55,000.00	6,684,000.00	2,343,111.00		-4,340,889.00	35.06%	34.77%
Other Expenditure	21,862,500.00	1,589,000.00	23,451,500.00	19,837,861.00		-3,613,639.00	84.59%	90.74%
	72,414,500.00	2,234,000.00	74,648,500.00	64,214,764.00	0.00	-10,433,736.00	5.24	5.34

Surplus/Deficit 0.00 0.00 0.00 28,418,927.00 0.00 28,418,927.00

Capital Recognised (Included in Other Revenue) 18,563,285.00 Budgeted Surplus 0.00

APPENDIX A
UMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2012

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2011/06/30	Received during the year	Redeemed or written off during the year	Balance at 2012/06/30
				R	R	R	R
ANNUITY LOAN							
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31	9,351,642	0	883,817	8,467,825
DEVELOPMENT BANK		9,4 %		18,039,413	0	3,627,718	14,411,695
TOTAL EXTERNAL LOANS				27,391,055	0	4,511,535	22,879,520

APPENDIX B
UMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposal	Closing Balance	Opening Balance	Accumulated Depreciation Additions	Disposals	Closing Balance	Carrying Value	Budget Additions 2012
Land and Buildings											
Land	12,807,994	50,000			12,857,994	825,953			825,953	12,032,041	0
Buildings	36,167,101	1,354,096	7,402,811		44,924,008	5,069,900	1,606,526		6,676,426	38,247,583	9,461,000
Dams and boreholes	0				0	0	0		0	0	0
	<u>48,975,096</u>	<u>1,404,096</u>	<u>7,402,811</u>	<u>0</u>	<u>57,782,003</u>	<u>5,895,853</u>	<u>1,606,526</u>	<u>0</u>	<u>7,502,379</u>	<u>50,279,624</u>	<u>9,461,000</u>
Infrastructure											
Electrification reticulation	7,457,881	3,257,227			10,715,108	0			0	10,715,108	0
Sewer reticulation	0				0	0			0	0	0
Construction works	57,443,576	3,440,946			60,884,522	22,216,074	4,317,197		26,533,271	34,351,251	7,950,000
	<u>64,901,457</u>	<u>6,698,173</u>	<u>0</u>	<u>0</u>	<u>71,599,630</u>	<u>22,216,074</u>	<u>4,317,197</u>	<u>0</u>	<u>26,533,271</u>	<u>45,066,359</u>	<u>7,950,000</u>
Other Assets											
Office and computer equipment	763,782	107,673			871,455	854,909	16,280		871,189	266	0
Furniture and fittings	1,603,572				1,603,572	771,458	135,922		907,380	696,192	0
Tools	71,889				71,889	64,968	3,289		68,257	3,632	0
Motor vehicles and major equipment	3,296,223	641,162		1,742,668	2,194,717	2,552,515	344,109	1,406,469	1,490,155	704,562	0
Machinery	429,539	192,346			621,885	315,184	137,154		452,338	169,547	0
Air conditioners	138,920				138,920	76,198	2,460		78,658	60,262	0
Other	138,018				138,018	137,284	434		137,718	300	0
	<u>6,441,943</u>	<u>941,181</u>	<u>0</u>	<u>1,742,668</u>	<u>5,640,456</u>	<u>4,772,516</u>	<u>639,648</u>	<u>1,406,469</u>	<u>4,005,695</u>	<u>1,634,761</u>	<u>0</u>
Total	<u>120,318,496</u>	<u>9,043,450</u>	<u>7,402,811</u>	<u>1,742,668</u>	<u>135,022,089</u>	<u>32,884,443</u>	<u>6,563,371</u>	<u>1,406,469</u>	<u>38,041,345</u>	<u>96,980,744</u>	<u>17,411,000</u>
Intangible Assets											
	321,844				321,844	241,383	80,461		321,844	0	0
Total	<u>120,640,340</u>	<u>9,043,450</u>	<u>7,402,811</u>	<u>1,742,668</u>	<u>135,343,933</u>	<u>33,125,826</u>	<u>6,643,832</u>	<u>1,406,469</u>	<u>38,363,189</u>	<u>96,980,744</u>	<u>0</u>

APPENDIX C

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012

	Opening Balance	Cost/ Revaluation Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Accumulated Additions	Depreciation Disposals	Closing Balance	Carrying Value
Executive and Council	14,269,502	798,835	1,866,775	1,742,668	15,192,444	1,209,770	639,648	1,406,469	442,949	14,749,495
Finance and Admin	18,158,112				18,158,112	5,169,623			5,169,623	12,988,489
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	25,323,430	4,611,323	5,536,036		35,470,789	4,247,213	1,606,526		5,853,739	29,617,050
Public Safety	852,806				852,806	527,040			527,040	325,766
Waste Management	675,729				675,729	82,806			82,806	592,923
Road Transport	59,824,349	3,440,946			63,265,295	20,440,503	4,317,197		24,757,700	38,507,595
Water	0				0	0			0	0
Other	1,141,748	192,346			1,334,094	1,134,668			1,134,668	199,426
	120,318,496	9,043,450	7,402,811	1,742,668	135,022,089	32,884,443	6,563,371	1,406,469	38,041,345	96,980,744
Intangible Assets	321,844				321,844	241,383	80,461		321,844	0
	120,640,340	9,043,450	7,402,811	1,742,668	135,343,933	33,125,826	6,643,832	1,406,469	38,363,189	96,980,744

APPENDIX D

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

<u>2011</u>	<u>2011</u>	<u>2011</u>		<u>2012</u>	<u>2012</u>	<u>2012</u>
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
56,275,572	28,317,157	27,958,415	Executive and Council	61,385,691	30,906,527	30,479,164
5,009,960	17,256,753	(12,246,793)	Finance and Admin	8,924,605	15,235,421	(6,310,816)
		-	Planning and Development			-
1,479,596	201,173	1,278,423	Health	210,076	270,892	(60,816)
2,015,660	5,374,273	(3,358,613)	Community & Social Services	2,080,676	6,001,254	(3,920,578)
		-	Housing			-
121,255	216,581	(95,326)	Public Safety	41,971	206,122	(164,151)
		-	Sport and Recreation			-
		-	Environmental Protection			-
1,398,935	906,870	492,065	Waste Management	1,480,958	1,456,469	24,489
10,970,560	10,381,528	589,032	Road Transport	18,563,285	10,676,099	7,887,186
		-	Water			-
		-	Other			-
		-				-
<u>77,271,538</u>	<u>62,654,335</u>	<u>14,617,203</u>	Sub - total	<u>92,687,262</u>	<u>64,752,784</u>	<u>27,934,478</u>
Less : Inter departmental charges						
<u>77,271,538</u>	<u>62,654,335</u>	<u>14,617,203</u>		<u>92,687,262</u>	<u>64,752,784</u>	<u>27,934,478</u>

uMISHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

APPENDIX E (1)

REVENUE	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %	Explanation of significant variances
Property rates	9,352,617	11,780,000	(2,427,383)		
Property rates - penalties imposed and collection charges	873,068	890,000	(16,932)	(2)	(21) The drop in income is due to the under budgeting of the rebates given
Service charges	1,480,958	1,450,000	30,958	2	
Rental of facilities and equipment	152,434	140,000	12,434	9	
Interest earned - external investments	571,138	300,000	271,138		90 The budgeted interest was very conservative.
Interest earned - outstanding debtors	7,455,037	6,500,000	955,037	15	15 The large increase is due to the increase in debtors.
Fines	41,280	101,000	(59,720)	(59)	(59) This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Licences and permits	1,876,463	1,825,000	51,463		
Income for agency services	0	-	-		
Government grants and subsidies	51,830,073	51,470,000	360,073	1	
Other income	283,417	192,500	70,917	(37)	
MIG Funds	18,563,285	0			
Gain on disposal of property, plant and equipment	227,492	-	227,492		
Total Revenue	92,687,262	74,648,500	(524,523)	(1)	
EXPENDITURE					
Employee related costs	26,516,768	29,615,514	(3,098,746)		(10) All budgeted posts were not filled.
Remuneration of Councilors	6,249,538	5,897,486	352,052	6	6 The MEC approved the EXCO members to be full time
Bad debts					
Collection costs	61,600	100,000	(38,400)	(38)	(38) The consultant involved in debt collection resigned during the year
Amortisation of Intangible Assets	80,461				
Depreciation	6,540,321	6,500,000	40,321	1	
Repairs and maintenance	2,279,263	6,684,000	(4,404,737)	(66)	(66) Certain work that was budgeted as maintenance was converted to capital expenditure
Interest paid	2,704,115	2,500,000	204,115	8	
Contracted services	32,674	150,000	(117,326)	(78)	(78) The use of consultants was limited during the year.
Grants and subsidies paid	0				
General expenses	19,360,128	21,051,500	(1,691,372)	(8)	(8) Certain expenditure that was budgeted for were not incurred.
Contribution to Reserves	927,916	150,000	777,916	519	519 The leave reserve was increased to provide for the minimum leave days staff are allowed to encash.
	0	2,000,000			
Total Expenditure	64,752,784	74,648,500	(7,976,177)	(11)	
Surplus (Deficit) for the year	27,934,478	-	7,451,654		

APPENDIX E (2)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance %	Explanation of significant variances
Infrastructure	R 3,257,227	0	R 3,257,227	R 0	R 3,257,227	%	The project was a carry over project from 2011
Construction works	3,440,946	0	3,440,946	7,950,000	(4,509,054)	(57)	Most of the roads projects are at the planning stage and
Community Assets	6,698,173	0	6,698,173	7,950,000	-1,251,827	(16)	contractors were only appointed towards the latter part of the year.
Land	50,000	0	50,000	0	50,000	(7)	
Buildings	1,354,096	7,402,811	8,756,907	9,461,000	(704,093)	(7)	
Other Assets	1,404,096	7,402,811	8,806,907	9,461,000	-654,093	(7)	
Office and accounting machines	107,673		107,673	0	107,673		
Furniture and fittings	0		0	0	-		
Radios	0		0		-		
Machinery	192,346		192,346	0	192,346		Minor plant and machinery was required urgently
Tools	0		0		-		
Air conditioners	0		0		-		
Vehicles	641,162		641,162		641,162		The Mayoral vehicle was becoming to costly to maintain and needed to be replaced
Other				0			
	941,181	0	941,181	0	941,181		
Total	9,043,450	7,402,811	16,446,261	17,411,000	(964,739)	(6)	

APPENDIX F										
UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003										
Description	Name of organ of State	Unspent balance at 1 July 2011	Received 2011/2012	Expenditure 2011/2012	Transfer 2011/2012	Unspent balance at 30 June 2012	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions YES/NO	Reason for non-compliance
		R	R	R	R	R	R			
MIG		0	15,171,000	(15,171,000)	0	0			YES	
GRANTS - GENERAL		58,025				58,025			YES	
MSIG		66,811	790,000	(856,811)		0			YES	
HOUSING PLAN		66,901		(6,783)		60,118			YES	
DEPT OF ENERGY		3,392,285		(3,392,285)		0			YES	
FINANCE MANAGEMENT		342,186	1,500,000	(1,842,186)		0			YES	
		3,926,208	17,461,000	(21,269,065)	0	118,143				